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ICI MUTUAL
Annual Report



ICI MUTUAL AT A GLANCE

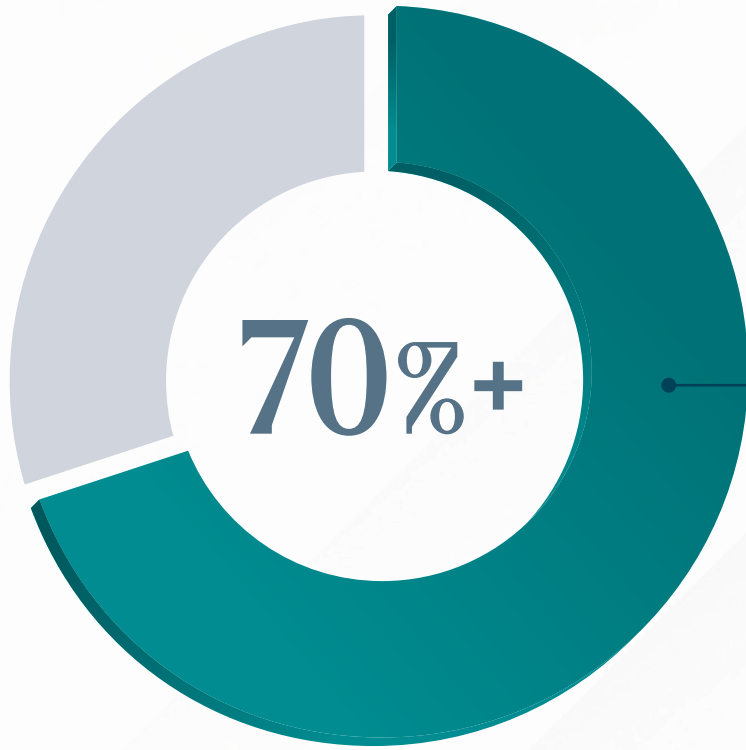
Over \$1.6B

Cumulative D&O/E&O Claims Paid



For the latest rating, access www.ambest.com

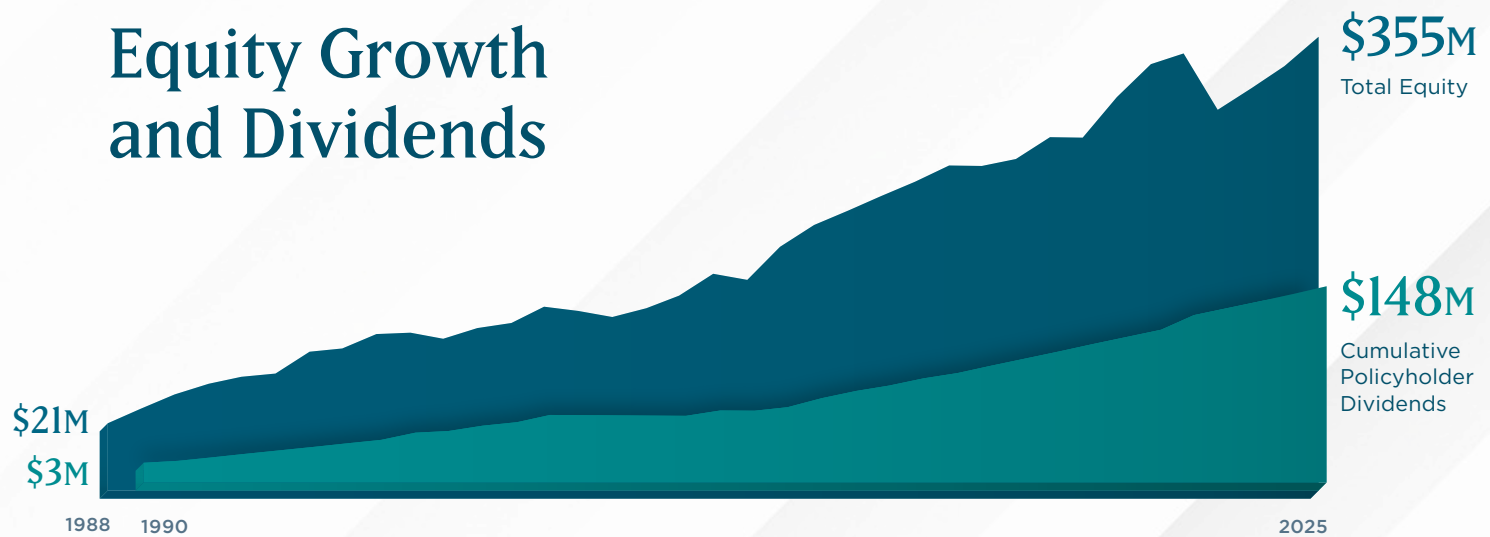
Data as of December 31, 2025



Assets Under Management

ICI Mutual Insureds
Represent 70%+ of Industry
Assets Under Management

Equity Growth and Dividends



A Letter from the President and the Chair



John T. Mulligan
President

David Oestreicher
Chair of the Board of Directors

2025 was another successful year for ICI Mutual. The Company's underwriting profit, in combination with its investment results, produced net income—after dividends and income taxes—of \$13.9 million. In December, the Board of Directors declared a \$6.0 million dividend, payable to Participating Members as credits against their 2026 renewal premiums. This brings the total dividends declared over the life of the Company to \$148 million. At year-end, ICI Mutual's equity reached \$355 million, and AM Best once again affirmed the Company's "A" (Excellent) rating.

Management's detailed discussion of 2025's operating results is provided at page 7.

A mutual insurer is built on a foundational belief—
together, we are stronger. Each year brings its own
set of tests, and 2025 was no exception for ICI
Mutual and its member-insureds, who continue to
benefit from their long-standing commitments to our collective
strength. In this year's letter, we highlight our responses to four
tests: a rapidly evolving investment management industry,
continued instances of claims severity, related impacts on
reinsurers, and the accelerating pace of innovation and disruption.

Adapting to an Evolving Industry

When ICI Mutual was founded nearly four decades ago, members of the Investment Company Institute (ICI) operated squarely in the mutual fund industry, governed by the Investment Company Act of 1940 and the Investment Advisers Act of 1940. That was ICI Mutual's world too, and we understood it well. In recent years, to meet evolving investor needs, some ICI members have broadened their investment management services and products, from collective investment trusts to alternative asset classes.

In turn, ICI Mutual has evolved by broadening our expertise, deepening our understanding of associated risks, and providing relevant insurance coverages. During 2025, we introduced a new tagline in our corporate branding—*The Insurer for the Investment Management Industry*—to reflect our still singular focus on the business of our member-insureds.

Addressing Claims Severity

We continue to concentrate on claims presented under the Company’s directors and officers/errors and omissions (“D&O/E&O”) liability insurance policies. The overall *frequency* of such claims remains at the lower end of historical norms. Yet, as reported in recent years, the Company has seen an increase in the *severity* associated with individual D&O/E&O claims, specifically in “high severity” claims, which are defined as involving \$10 million or more in settlements, defense costs, and/or corrective payments. To date, such claims have had little in common apart from very large insurance payments and the fact that each has involved larger, long-established, and well-resourced investment managers.

Given that the value of a mutual insurer reveals itself most concretely in claim scenarios, where specialist expertise matters greatly, ICI Mutual has worked closely with impacted fund groups and their counsel to adjust these complex claims in a fair and even-handed manner. Importantly, ICI Mutual also examines the causes of such claims, engaging with legal, compliance, and risk management professionals from member-insureds to understand how related risks are being addressed and reduced in the future. In turn, we anonymize and share those lessons learned across the collective (e.g., in the Company’s annual *Claims Trends* report, available each April).

Partnering with Core Reinsurers

High severity claims have impacted ICI Mutual’s reinsurance partners in recent years, and ICI Mutual has taken responsible and necessary steps to adjust terms and rates accordingly. With over \$750 million in losses paid to member-insureds in the past decade,

Leading the Conversation

Created by and for members of the fund industry, ICI Mutual views insurance and liability risk issues through a unique inside-the-industry lens. The Company’s extensive library of Risk Management Studies reflects a long-standing commitment to producing in-depth research and analysis of the mutual fund industry’s particular liability exposures and related insurance issues.

In 2025, ICI Mutual published *Investment Company Bond Insurance: A Guide for Insureds*. This study focuses on the fundamentals of investment company bonds, reviews the typical scope of coverage, and explores the various ways such bonds can be structured to meet the needs of investment companies, their advisers, and affiliated service providers.

In early 2026, in collaboration with the Independent Directors Council (IDC), ICI Mutual published another new study, *Insurance Considerations for Fund Independent Directors*. The paper highlights considerations and questions to guide independent directors in evaluating relevant insurance coverages.

These publications are available at www.icimutual.com/risk-management-studies.

ICI Mutual will continue to invest in our products, services, and people to deepen the value we deliver to you, our member-insureds.

and with significant portions fully reimbursed by reinsurers for their share of the payments (except for one pending reinsurance recoverable matter, discussed in the footnotes to the Company's 2025 financial statements), we take seriously our commitments to several dozen treaty and facultative reinsurers with whom we have forged long-term partnerships. Those relationships are built on trust, transparency, and mutual respect, and our member-insureds benefit from their longevity and strength.

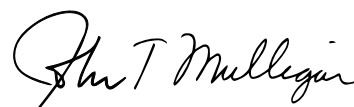
Embracing Innovation

Artificial intelligence ("AI") is reshaping all industries, including the insurance and investment management segments in which we operate. We have started to identify, catalogue, and assess AI-related risks with our Board of Directors, member-insureds, and colleagues at the ICI. We remain optimistic that AI tools will enhance the already robust legal, compliance, and risk management functions across the investment management industry.

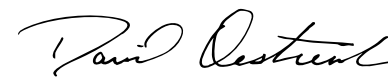
Within ICI Mutual, we are taking measured steps to develop and deploy AI tools, prioritizing use cases to improve efficiency and effectiveness, while protecting sensitive data. We seek to embrace innovation and find opportunities to further demonstrate the deep value of a highly specialized insurer.

Looking Ahead

We enter 2026 with confidence. Intentional planning for succession has brought talented new directors and staff members to ICI Mutual, strengthening the team that serves you. We will continue to invest in our products, services, and people to deepen the value we deliver to you, our member-insureds. The foundational belief that has guided this company for nearly four decades—that together, we are stronger—remains as true today as ever. On behalf of the Board of Directors and our staff, thank you for your continued trust and support.



John T. Mulligan
President



David Oestreicher
Chair of the Board of Directors

Financial Overview



ICI Mutual recorded an underwriting profit of \$2.2 million in 2025, the twentieth year out of the past twenty-one that underwriting income exceeded underwriting expenses.

ICI Mutual recorded an underwriting profit of \$2.2 million in 2025, the twentieth year out of the past twenty-one that underwriting income (net premiums earned) exceeded underwriting expenses (net losses incurred and G&A expenses). Including positive investment results, net income before policyholder dividends and income taxes totaled \$23.5 million.

Gross premiums written totaled \$78.1 million, a decrease of 2%, or \$1.8 million, compared to the prior year, while net premiums earned were \$17.5 million, a decrease of 8%, or \$1.4 million, compared to the prior year. The decreases reflect lost business attributable to fund industry merger and acquisition activity, competitive pressures, and higher treaty reinsurance costs, the latter of which impacted net premiums earned. On average, across the Company's three product lines, premium rates remained broadly stable, although targeted rate increases were implemented on certain directors and officers/errors and omissions liability insurance policies with adverse loss experience. The Company continued to demonstrate strong policyholder retention, maintaining a year-over-year member-insured retention rate of 93% in 2025.

Net loss and loss adjustment expenses were \$6.4 million for the year, a decrease from the \$9.2 million experienced in 2024, primarily driven by favorable developments in certain prior year loss reserves. The net loss amount for 2025 is the lowest annual net loss in recent years. The Company's loss ratio for 2025 (net loss and loss adjustment

expenses divided by net premiums earned) was 37%. The Company's combined ratio was 88% before dividends to Participating Members, and 121% after dividends to Participating Members.

Net investment income was \$15.7 million in 2025, a slight increase compared to 2024.

A policyholder dividend of \$6.0 million was declared by the Company's Board of Directors in December 2025 and is payable to Participating Members that renew eligible participating policies in 2026.

The provision for income taxes was \$3.8 million, representing an effective tax rate of approximately 21%.

Net income, after dividends and income taxes, was \$13.9 million in 2025 as compared to net income, after dividends and income taxes, of \$14.5 million in 2024. The company maintained strong profitability in 2025 even though operating expenses rose by approximately \$1.6 million and net realized losses from selling debt securities increased by \$1.8 million compared to 2024.

Total equity increased in 2025 by approximately \$24 million to \$355 million, primarily driven by the \$13.9 million of net income, as well as by approximately \$9.5 million in unrealized appreciation on debt securities and \$1 million in actuarial unrealized gains on benefit plans. In 2025, the Company maintained its 33rd straight "A" (Excellent) rating from AM Best.

Aligned Interests

ICI Mutual delivers stable, long-term, industry-aligned liability coverage, ensuring reliable pricing, capacity, and trusted risk management for funds.

Anationwide liability insurance crisis in the mid-1980s left the mutual fund industry at risk. The industry had insurance needs that commercial insurers were unable or unwilling to meet: the need for a stable, long-term source of substantial insurance capacity, and the need for insurance pricing that could be counted upon to be reliably and rationally related to the fund industry's own risks. In 1987, fund industry leaders, working with the Investment Company Institute (the industry's trade association), formed ICI Mutual.

As an industry mutual insurer, ICI Mutual is dedicated solely to serving the insurance and risk management needs of funds, fund directors and officers, and fund advisers, providing them with an expert and reliable long-term alternative to the uncertainties and cyclicity to which commercial insurance markets have historically been subject.

More than three decades on, ICI Mutual continues to be an established, trusted presence and the top provider of professional liability insurance for the fund industry. ICI Mutual seeks to provide insurance capacity and ensure relative stability of premium rates and policy terms through all stages of the insurance market cycle; to craft

sustainable insurance coverages tailored to address existing, new, and emerging risks faced by fund groups; to address and resolve insurance claims promptly and fairly; and to provide the fund industry with focused risk management, loss prevention, and insurance-related services and assistance. As an insurance company owned and governed by its member-insured fund groups, ICI Mutual's interests are fully aligned with the interests of its member-insureds.

The Company's Board of Directors includes fund industry executives and fund independent directors from among the Company's member-insured fund groups. Each director brings demonstrated leadership and expertise to the Board, which plays a significant role in helping to shape Company policies and initiatives. The involvement and oversight of the Board ensure that ICI Mutual is operated to serve and benefit the Company's member-insureds.

Knowledge & Expertise

Descriptions of ICI Mutual's core coverages may be found online at: www.icimutual.com/coverages. ICI Mutual also has the ability to craft custom coverages in response to particular needs of member-insureds.

Since its formation, ICI Mutual has continuously provided fund groups with core insurance coverages that respond to the key “real world” risks long faced by funds, fund directors and officers, and fund advisers. Over the years, the Company has also developed and introduced numerous additional coverages to address the industry's new and emerging risks. ICI Mutual's professional staff has significant expertise and experience with mutual fund and investment adviser issues and consults with industry experts (including industry representatives who serve on the Company's Board of Directors) during the process of developing insurance coverages.

By reason of its detailed and comprehensive knowledge of fund industry operations and claims, ICI Mutual is uniquely positioned to analyze and understand the industry's risks, and to craft insurance coverages that are tailored to address these risks and remain sustainable over time.

Coverages

ICI Mutual's core insurance products are designed to address the specialized insurance needs of funds, fund directors and officers, and fund advisers.

The Directors and Officers/Errors and Omissions (D&O/E&O) Liability Policy protects individual directors and officers and insured companies against the financial impact of judgments, settlements, and legal defense costs incurred in shareholder lawsuits and regulatory investigations and proceedings, and the costs of correcting certain operational errors.

The Investment Company Blanket (Fidelity) Bond protects insured entities against specified losses caused by employee theft, third-party fraud, and certain other types of events, and meets the basic fidelity bonding requirement for funds under the Investment Company Act of 1940.

The Independent Directors Liability (IDL) Policy provides comprehensive coverage tailored to address the concerns and distinct insurance needs of fund independent directors.

Knowledge & Expertise

Services

Underwriting

ICI Mutual's underwriters focus solely on the mutual fund industry and are attuned to its specialized risks and challenges. Each member-insured fund group is assigned an underwriter who develops a thorough understanding of that fund group's business, processes, and procedures. This approach enables ICI Mutual to structure coverage and secure limits that appropriately reflect a fund group's individual needs and interests.

Claims Handling

ICI Mutual is highly regarded for its prompt and fair-minded claims handling. Each submitted claim undergoes a careful analysis of the facts, circumstances, and applicable coverage language. ICI Mutual representatives work closely with affected member-insureds throughout the claims process.

Risk Management

ICI Mutual's expertise and knowledge of the fund industry are unrivaled among professional liability insurers. The Company has long provided member-insureds and the fund industry with a wide variety of risk management, loss prevention, and insurance-related services.

ICI Mutual's Risk Management Publications, listed on page 11, provide in-depth research and analysis on the fund industry's liability exposures and other topics of interest and are designed to help member-insured fund groups improve their risk management programs and risk profiles. Claims Trends and the Company's online Litigation Notebook address existing, new, and evolving areas of regulatory and litigation exposure and their implications for insurance claims and coverage. These publications and other materials can be accessed on the Company's website (www.icimutual.com).

ICI Mutual sponsors an annual Risk Management Conference, at which industry experts and guest speakers present information on an array of risk management topics and facilitate discussion among risk managers, legal personnel, and other representatives of the Company's member-insureds.

The Company's professional staff regularly provides individualized assistance to fund groups in structuring insurance programs, selecting among insurance options, and establishing appropriate insurance limits. The staff also responds to requests from fund boards, outside counsel, and in-house personnel for presentations, written materials, and informal advice on insurance and claims-related issues and developments.

ICI Mutual's

Risk Management Publications

ICI Mutual's studies are prepared with extensive input from industry experts, assist insureds to identify areas of risk and provide practical advice and techniques to manage and reduce these risks.

Insurance

Insurance Considerations for Fund Independent Directors (with IDC) (2026)

Investment Company Bond Insurance: A Guide for Insureds (2025)

Operational Errors and Insurance: A Guide for Investment Advisers (2021)

ICI Mutual Then and Now (2017)

Independent Directors Liability (IDL) Insurance (2013)

Mutual Fund D&O/E&O Insurance (2009)

Claims and Litigation

What to Expect in the Claims Process (2023)

Shareholder Litigation in the Fund Industry (2019)

Section 36(b) Litigation Since *Jones v. Harris* (2016)

Trends in Fee Litigation (2014)

ERISA Liability (2010)

Mutual Fund Prospectus Liability (2010)

Independent Director Litigation Risk (2006)

Managing Defense Costs (2004)

Industry Risks and Risk Management

Managing Operational Risks of Private Accounts (2011)

Outsourcing by Advisers and Affiliated Service Providers (2008)

Managing Risks in Trade Allocation (2008)

Preparing for a Pandemic (2007)

Fair Valuation Study—The Role of the Board (with ICI and IDC) (2006)

Fair Valuation Study—An Introduction (with ICI and IDC) (2005)

Understanding Bond Fund Risks (2002)

Investment Management Compliance Risks (2002)

Managing Risk in Processing Corporate Actions (2001)

Technology-Related Risks

Shareholder Authentication (2015)

Risk Management in the Digital Age (2012)

The Two Faces of Identity Theft (2006)

Computer Security Lite (2003)

Financial Stability

ICI Mutual's conservative management enables prudent resource use, effective risk control, and enduring financial strength, allowing it to deliver stable coverage, consistent capacity, and reliable support across market cycles.

ICI Mutual's financial success can be attributed to its philosophy of conservative management in every aspect of its business. From underwriting to portfolio management to administration, the Company strives to use resources wisely, to invest prudently, and to manage risk effectively. Through adherence to this philosophy, ICI Mutual has developed and maintained the financial strength and stability necessary to meet the needs of its member-insureds.

For over three decades, ICI Mutual has stood behind its member-insureds through significant financial market and fund industry-wide events and through various stages of the economic and insurance cycles. The Company utilizes its strong network of

reinsurance partners to manage and diversify its own risk, enabling it to provide robust limits of coverage to member-insureds and to promote relative stability of premium rates and coverage terms.

As an integral part of the fund industry, ICI Mutual provides a consistent source of insurance capacity at premiums rationally related to the fund industry's own risks.

Board of Directors

David Oestreicher (Chair) (E, N)
T. Rowe Price Associates, Inc.

Heidi W. Hardin (Vice Chair) (E, I, N)
MFS Investment Management

Joseph J. Boerio (R)
Franklin Templeton Investments, Inc.

Carlos E. Calderon (A, R)
Ariel Investments

Mark E. Carver (A, R)
UBS Asset Management Americas

Caroline Cosby (E, U)
The Vanguard Group, Inc.

Deidre A. Downes (U)
Morgan Stanley Funds

Kenneth C. Eich (E, A)
Davis Selected Advisers, L.P.

Ronald H. Fielding (I)
Saturna Investment Trust

Barry Fink (E, A, N)
American Century Funds

Robert F. Gunia (I)
Prudential Insurance Mutual Funds

Steven M. Joenk (I)
Equitable Financial Life Insurance Company

Jeffrey H. Kupor (U)
Invesco Ltd.

Karrie McMillan (I, U, N)
Principal Funds

John T. Mulligan (E, I, R)
ICI Mutual Insurance Company, RRG

Jeffrey A. Naylor (R)
Investment Company Institute

Eric J. Pan (E, U)
Investment Company Institute

Mary Ann Picciotto (R)
Lord, Abbett & Co. LLC

Michelle R. Rosenberg (E, R)
Janus Henderson Investors

Michael J. Triessl (U)
Capital Research and Management Company

Hepsen Uzcan (A, R)
DWS

Derick A. White (U)
D. White Consulting, LLC

Andrew R. Schlossberg (Ex-Officio)
Invesco Ltd. (USA)

Board Committees: Executive (E), Audit (A), Investment (I),
Underwriting (U), Risk Management (R), Nominating (N).

Board of Directors as of December 31, 2025.

Officers and Staff

Officers

John T. Mulligan
President

Julia S. Ulstrup
Executive Vice President,
General Counsel & Secretary

Douglas B. Kuckelman
Vice President, Chief Financial Officer
& Treasurer

Margaret M. Sullivan
Vice President, Chief Underwriting
Officer & Assistant Secretary

Staff

William Y. Akishev
Director of Information Technology

Steven I. Amchan
Deputy General Counsel

Virginia S. Barry
Associate Counsel

Nadia Bustillo
Senior Accountant

Catherine M. Dalton
Underwriting Manager

Briana R. Davis
Lead Broker & Underwriter

Prabhat S. Friedland
Underwriting Analyst

Michael A. Heiser
Controller

Lizabeth S. Hurst
Corporate Communications

Carolyn B. Julia
Executive Assistant

Matthew F. Keenan
Business Development Associate

Katherine E. Libunao
Director of Financial Reporting and Analysis

Matthew D. MacKenzie
Underwriter

Meloney G. McKoy
Senior Accountant

Swenitha Nalli
Senior Underwriter

Gwen M. Taylor
Legal Insurance Assistant

As of April 15, 2026.

Selected Financial Highlights

| For the Years Ended | 2025 | 2024 |
|---------------------------------------|-------------|-------------|
| Gross Premiums Written | \$ 78,134 | \$ 79,925 |
| Net Premiums Earned | \$ 17,501 | \$ 18,925 |
| Net Loss and Loss Adjustment Expenses | \$ 6,402 | \$ 9,195 |
| Net Underwriting Income | \$ 2,181 | \$ 2,407 |
| Net Investment Income | \$ 15,684 | \$ 14,441 |
| Dividends to Policyholders | \$ 5,809 | \$ 5,962 |
| Net Income | \$ 13,877 | \$ 14,450 |
| Total Equity | \$ 354,963 | \$ 330,952 |

| Combined Ratio | 2025 | 2024 |
|--|-------------|-------------|
| Loss and General Expense Ratio | 88% | 87% |
| Policyholder Dividends | 33% | 32% |
| Combined Ratio including Policyholder Dividends | 121% | 119% |

Dollar amounts in thousands



ICIMutual

The Insurer for the Investment Management Industry

**ICI Mutual Insurance Company,
A Risk Retention Group**

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Washington, DC 20005

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CONSOLIDATED FINANCIAL STATEMENTS

ICI Mutual Insurance Company, a Risk Retention Group

Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

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Report of Independent Auditors

Board of Directors
ICI Mutual Insurance Company, a Risk Retention Group

Opinion

We have audited the consolidated financial statements of ICI Mutual Insurance Company, a Risk Retention Group (the Company), which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Company as of and for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on April 23, 2025.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts, including incurred and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance, and average annual percentage payout of incurred losses by age, net of reinsurance, on page 29 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the other information included in the annual report , but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
April 23, 2026

Vermont firm registration: 092-0000267

ICI Mutual Insurance Company, a Risk Retention Group

Consolidated Balance Sheets

As of December 31, 2025 and 2024

(in 000s)

| | 2025 | 2024 |
|---|------------|------------|
| Assets | | |
| Cash and cash equivalents | \$ 37,749 | \$ 24,896 |
| Investments | | |
| Debt securities - at fair value (amortized cost of \$316,581 and \$314,172, respectively) | 301,333 | 286,772 |
| Equity securities, at fair value | 69,466 | 57,862 |
| Money market funds | 3,263 | 3,042 |
| Total cash and investments | 411,811 | 372,572 |
| Prepaid expenses | 371 | 368 |
| Prepaid federal and state income taxes | 2,574 | 4,671 |
| Premiums receivable | 6,949 | 7,841 |
| Interest receivable | 2,633 | 2,559 |
| Investment securities receivable | 2,549 | 951 |
| Reinsurance recoverables | 164,549 | 277,598 |
| Prepaid reinsurance premiums | 35,801 | 35,957 |
| Other amounts receivable under reinsurance contracts | 4,294 | 4,556 |
| Deferred income taxes | - | 3,717 |
| Right-of-use asset - operating | 4,003 | 4,319 |
| Leasehold improvements, net | 941 | 1,050 |
| Total assets | \$ 636,475 | \$ 716,159 |
| Liabilities and Equity | | |
| Liabilities: | | |
| Reserve for losses and loss adjustment expenses | \$ 174,287 | \$ 278,159 |
| Unearned premiums | 45,973 | 46,485 |
| Reinsurance premiums payable | 3,617 | 3,349 |
| Premium taxes payable | 507 | 666 |
| Accounts payable and other liabilities | 4,926 | 5,079 |
| Deferred tax liability, net | 1,427 | - |
| Investment securities payable | 3,206 | 1,992 |
| Short-term borrowing | 30,000 | 30,000 |
| Benefits payable | 4,728 | 6,127 |
| Lease liability - operating | 5,366 | 5,729 |
| Deferred commission income, net of policy acquisition costs | 1,342 | 1,621 |
| Dividends payable | 6,133 | 6,000 |
| Total liabilities | 281,512 | 385,207 |
| Equity: | | |
| Contributed surplus | 17,136 | 17,770 |
| Accumulated other comprehensive loss | (9,327) | (20,095) |
| Retained earnings | 347,154 | 333,277 |
| Total equity | 354,963 | 330,952 |
| Total liabilities and equity | \$ 636,475 | \$ 716,159 |

See accompanying notes to consolidated financial statements

ICI Mutual Insurance Company, a Risk Retention Group
Consolidated Statements of Income and Comprehensive Income

Years Ended December 31, 2025 and 2024
(in 000s)

| | 2025 | 2024 |
|---|------------|------------|
| Revenues | | |
| Net premiums written | \$ 17,144 | \$ 18,045 |
| Change in net unearned premiums | 357 | 880 |
| Net premiums earned | 17,501 | 18,925 |
| Net investment income | 15,684 | 14,441 |
| Net realized losses on debt securities | (3,764) | (1,954) |
| Net unrealized gains on equity securities | 10,504 | 11,758 |
| Other income | 243 | 289 |
| Total revenues | 40,168 | 43,459 |
| Expenses | | |
| Net loss and loss adjustment expenses | 6,402 | 9,195 |
| Net underwriting, general and administrative expenses | 8,918 | 7,323 |
| Interest expense | 1,361 | 2,740 |
| Total expenses | 16,681 | 19,258 |
| Income before dividends to policyholders and provision for income taxes | 23,487 | 24,201 |
| Dividends to policyholders | 5,809 | 5,962 |
| Income before provision for income taxes | 17,678 | 18,239 |
| Provision for income taxes | 3,801 | 3,789 |
| Net income | 13,877 | 14,450 |
| Other Comprehensive Income | | |
| Net unrealized gains (losses) on debt securities: | | |
| Net unrealized gains (losses) arising during the period, net of tax | 6,625 | (427) |
| Reclassification adjustment for losses realized in net income, net of tax | 2,974 | 1,544 |
| Net actuarial unrealized gains on employee benefit plans: | | |
| Net unrealized gains arising during the period, net of tax | 1,269 | 1,712 |
| Reclassification adjustment for gains realized in net income, net of tax | (100) | (113) |
| Other comprehensive income, net of tax | 10,768 | 2,716 |
| Comprehensive income | \$ 24,645 | \$ 17,166 |
| Net realized losses on debt securities | | |
| Allowance for credit losses | \$ (90) | \$ - |
| Other net realized investment losses | (3,674) | (1,954) |
| Net realized losses on debt securities | \$ (3,764) | \$ (1,954) |

See accompanying notes to consolidated financial statements

ICI Mutual Insurance Company, a Risk Retention Group

Consolidated Statements of Changes in Equity

Years Ended December 31, 2025 and 2024

(in 000s)

| | Contributed Surplus | Accumulated Other Comprehensive Loss | Retained Earnings | Total Equity |
|---|------------------------|---|----------------------|-------------------|
| Balance at December 31, 2023 | \$ 18,040 | \$ (22,811) | \$ 318,827 | \$ 314,056 |
| Net income | - | - | 14,450 | 14,450 |
| Other comprehensive income, net of tax | - | 2,716 | - | 2,716 |
| Distributions of contributed surplus | <u>(270)</u> | <u>-</u> | <u>-</u> | <u>(270)</u> |
| Balance at December 31, 2024 | 17,770 | (20,095) | 333,277 | 330,952 |
| Net income | - | - | 13,877 | 13,877 |
| Other comprehensive income, net of tax | - | 10,768 | - | 10,768 |
| Distributions of contributed surplus | <u>(634)</u> | <u>-</u> | <u>-</u> | <u>(634)</u> |
| Balance at December 31, 2025 | <u>\$ 17,136</u> | <u>\$ (9,327)</u> | <u>\$ 347,154</u> | <u>\$ 354,963</u> |

See accompanying notes to consolidated financial statements

ICI Mutual Insurance Company, a Risk Retention Group

Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024

(in 000s)

| | 2025 | 2024 |
|--|------------------|------------------|
| Cash Flows from Operating Activities | | |
| Net income | \$ 13,877 | \$ 14,450 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Amortization of premium | (93) | 225 |
| Deferred income taxes | 2,281 | 404 |
| Depreciation and amortization | 109 | 95 |
| Net realized losses on debt securities | 3,764 | 1,954 |
| Net unrealized gains on equity securities | (10,504) | (11,758) |
| Change in operating assets and liabilities: | | |
| Prepaid expenses | (3) | 9 |
| Prepaid federal and state income taxes | 2,097 | (2,188) |
| Premiums receivable | 892 | (1,670) |
| Interest receivable | (74) | (82) |
| Reinsurance recoverables | 113,049 | (33,257) |
| Prepaid reinsurance premiums | 156 | (917) |
| Other amounts receivable under reinsurance contracts | 262 | (3,053) |
| Right-of-use asset - operating | 316 | 309 |
| Reserve for losses and loss adjustment expenses | (103,872) | 31,546 |
| Unearned premiums | (512) | 37 |
| Reinsurance premiums payable | 268 | 198 |
| Premium taxes payable | (159) | 171 |
| Accounts payable and other liabilities | (153) | (539) |
| Benefits payable | 80 | (4,169) |
| Lease liability - operating | (363) | (345) |
| Deferred commission income, net of policy acquisition costs | (279) | 302 |
| Dividends payable | 133 | (457) |
| Net cash flows from operating activities | 21,272 | (8,735) |
| Cash Flows from Investing Activities | | |
| Proceeds from sales of investments | 89,040 | 144,713 |
| Proceeds from maturities of investments | 1,575 | 1,875 |
| Purchases of furniture and fixtures, net | - | (81) |
| Payments for purchases of investments | (98,179) | (122,644) |
| Change in money market funds | (221) | 958 |
| Net cash flows from investing activities | (7,785) | 24,821 |
| Cash Flows from Financing Activities | | |
| Distributions of contributed surplus | (634) | (270) |
| Borrowing from the FHLB | 30,000 | 30,000 |
| Repayments to the FHLB | (30,000) | (50,000) |
| Net cash flows from financing activities | (634) | (20,270) |
| Net change in cash and cash equivalents | 12,853 | (4,184) |
| Cash and cash equivalents at beginning of year | 24,896 | 29,080 |
| Cash and cash equivalents at end of year | <u>\$ 37,749</u> | <u>\$ 24,896</u> |

See accompanying notes to consolidated financial statements

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(in 000s)

Note 1 - Significant Accounting Policies

Basis of Presentation

ICI Mutual Insurance Company, a Risk Retention Group (Mutual) was incorporated on August 26, 1987 as an association captive insurance company domiciled in the State of Vermont and commenced accepting insurance risks on March 1, 1988. Mutual, together with its wholly owned subsidiaries described below, are collectively referred to as "the Company." The Company primarily writes fidelity bonds and directors and officers and errors and omissions insurance for Members and Associate Members of the Investment Company Institute (ICI) and their affiliated companies on a claims-made basis. These Members primarily provide services to the regulated investment company industry. On January 1, 2009, the Company converted from a Vermont association captive insurance company to a Vermont risk retention group (RRG), under the Federal Liability Risk Retention Act.

ICI Mutual Insurance Brokers, Inc. (Brokers) is a wholly-owned subsidiary of Mutual. Brokers provides insurance brokerage services to insureds of Mutual.

ICIM Services, Inc. (Services) is a wholly-owned subsidiary of Mutual. Services provides the underwriting function for Mutual under a written agreement. This agreement provides that Mutual will reimburse Services for all reasonable expenses associated with performing the underwriting function plus a 5% fee.

The Consolidated Financial Statements include the consolidated accounts of Mutual, Brokers, and Services, with all significant intercompany amounts eliminated in consolidation. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which are also in accordance with practices prescribed for RRGs by the Vermont Department of Financial Regulation (VDFR).

GAAP requires management to make certain estimates and assumptions in the preparation of the financial statements. Actual results could differ from those estimates and assumptions.

The Company's annual statements filed with the VDFR for 2025 and 2024 agree with the audited financial statements. In addition, at December 31, 2025 and 2024, the Company is in compliance with VDFR's minimum surplus requirement of \$1 million.

Investments

The Company's debt securities are classified as available-for-sale and, along with its equity securities, reported at fair value as defined in Note 3. Short-term securities and money market funds are stated at amortized cost which approximates fair value.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 1 - Significant Accounting Policies (Continued)

For securities where the fair value is less than the amortized cost basis for debt securities, the Company must determine whether or not a credit loss impairment has occurred. See Note 2 for a detailed explanation of the procedures utilized by the Company in calculating impairment losses.

All debt investment transactions have credit exposure to the extent that a counterparty may default on an obligation to the Company. Credit risk is a consequence of carrying trading and investing positions. To manage credit risk, the Company focuses on higher quality fixed income securities, limits its exposure in any one investment, and monitors the portfolio quality, taking into account credit ratings assigned by recognized statistical rating organizations.

Interest income on debt securities is recorded on the accrual basis. Dividend income on equity securities is recorded on the ex-dividend date. Unrealized gains and losses from changes in the fair value of the Company's debt holdings, net of applicable income taxes, are reported as a separate component of equity. Realized gains and losses on the sale of the Company's debt securities are determined based on specific identification and are included along with gains and losses on equity securities in net income.

Premiums

Net earned premiums have been computed on a semimonthly pro rata basis over the term of the underlying insurance policies with the exception of premiums on "tail" policies which are earned when written. Ceded reinsurance premiums are charged against premiums earned on the same basis. Unearned premiums represent the portion of the gross premium written which is applicable to the unexpired terms of policies in force. Prepaid reinsurance premiums represent the portion of unearned premiums ceded to reinsurers.

Deferred Commission Income, Net of Policy Acquisition Costs

Commissions on reinsurance premiums ceded represent recovery of certain acquisition costs and are deferred as a reduction to underwriter compensation and royalty fees at the ratio of reinsurance premiums ceded to gross written premiums and amortized at the same rate as the acquisition costs. Commissions in excess of the reduction to acquisition costs are deferred as a deferred commission income liability and amortized at the same rate as the acquisition costs as a reduction to underwriting, general and administrative expenses. Acquisition costs consist primarily of underwriter compensation, royalty fees and premium taxes associated with the successful acquisition and underwriting of new and renewal insurance business. These acquisition costs are being amortized over the expected policy period of related policies in proportion to the ratio of the annual earned premiums to the total premium revenue anticipated. Anticipated premium revenue was estimated using the same assumptions as those used for computing the reserve for losses and loss adjustment expenses. Expected losses, related expenses, and investment income are considered in measuring the recoverability of this asset, which offsets the deferred commission income liability.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 1 - Significant Accounting Policies (Continued)

Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses is based on management's individual case estimates of the ultimate cost of reported losses and estimates for incurred but not reported losses (IBNR) determined in consultation with independent professional actuaries. The IBNR loss reserve is developed using a variety of actuarial methods to estimate the ultimate cost of losses and loss expenses by policy year. These methods include the reported loss development method, the reported Bornhuetter-Ferguson method, the loss ratio method, and the frequency-severity method. These represent standard actuarial methods that are based upon historical data for payment patterns, cost trends and other relevant factors specific to the Company. These methods produce a range of indications from which the best estimate is selected.

These estimates are continually reviewed and adjustments, if necessary, are reflected in the period known. In updating the Company's loss reserve estimates, inputs are considered and evaluated from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, internal review processes, and the views of the Company's engaged third party actuary. However, given the nature of the Company's business, the ultimate amount of losses and loss adjustment expenses may vary significantly from the estimated amounts. There were no significant changes in methodologies and assumptions for the year ended December 31, 2025.

Provision for Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*. The codification requires that deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that, in the opinion of management, is more likely than not to be realized. No valuation allowance was deemed necessary at December 31, 2025 and 2024.

The guidance on accounting for uncertainty in income taxes describes how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current year. If applicable, interest and penalties are classified as other interest expense and are included in underwriting, general and administrative expenses in the Consolidated Statements of Income and Comprehensive Income. There were no interest or penalties incurred in 2025 or 2024.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 1 - Significant Accounting Policies (Continued)

Reinsurance

The Company utilizes both treaty and facultative reinsurance to provide protection for claims in excess of the Company's normal retention limits (\$3 million). Under the Company's annual treaty reinsurance program (which runs from April 1 to March 31), limits up to \$15 million, less the Company's normal retention, are automatically assumed by the treaty participants.

Maximum recoveries under the reinsurance treaties are capped at \$100 million for all treaty years subsequent to the treaty year ending March 31, 2005. A treaty year remains open until all noticed claims are paid or otherwise closed. As of December 31, 2025, ceded losses under all of the open treaty years were well below the respective treaty caps. Future adverse development on any of the treaty years could result in the respective caps for such treaty years being exceeded and such excess amounts, if any, would have to be paid out of the Company's accumulated earnings and surplus. While management believes that the Company is adequately capitalized to meet its ongoing claims obligations, there can be no assurance that in the event a cap on a reinsurance treaty is exceeded, the Company's resources would be sufficient to meet all of its claims liabilities.

For those insureds that require limits in excess of \$15 million on Fidelity Bonds, the Company issues additional limits of up to \$5 million. For limits above \$20 million on Fidelity Bonds or \$15 million on D&O/E&O Policies, the Company purchases facultative (case by case) reinsurance from various other reinsurers. There is no cap on facultative reinsurance except for the actual limits reinsured. In addition, the Company can elect to retain additional limits in the excess layers, generally not more than \$5 million per policy.

Although reinsurance agreements contractually obligate the Company's reinsurers to reimburse it for their proportionate shares of losses, they do not discharge the primary responsibility of the Company. Thus, in the event a reinsurer did not meet its obligation under its agreement with the Company, the Company would be responsible for such amount.

The Company monitors the credit worthiness of its reinsurers to determine the probability of default under the current expected credit loss (CECL) model and only conducts business with reinsurers that are highly rated by reputable rating agencies. Based on its CECL analysis of current expectations and historical experience, the Company does not believe that any credit loss exists on amounts currently due from reinsurers. At December 31, 2025 and 2024, no valuation reserve against reinsurance recoverables was recorded. The Company has accrued for legal expenses associated with the reinsurance recoverable matter disclosed in Note 8.

Cash and Liquidity

The Company considers all cash on hand and deposits in banks as cash and cash equivalents for purposes of the Consolidated Statements of Cash Flows. As of December 31, 2025 and 2024, the Company held \$0 in cash equivalents. Money market funds are included in investments.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 1 - Significant Accounting Policies (Continued)

The Company maintains liquid investments in amounts considered sufficient to pay claims and other operating expenses. It is also part of the Company's strategy to utilize its membership in the FHLB as a backup liquidity facility. The maximum amount the Company borrows fluctuates based on the amount of eligible collateral the Company deposits with the FHLB at any given time, as well as on the amount of its investment in FHLB capital stock. The Company repaid \$30,000 in December 2025 and \$50,000 in December 2024 and reborrowed \$30,000 in both years. The amount outstanding was \$30,000 as of December 31, 2025 and 2024. Total fair value of investment assets pledged as collateral to the FHLB were \$44,398 and \$63,740 as of December 31, 2025 and 2024, respectively. Total cash pledged as collateral was \$6,751 as of December 31, 2025 and 2024. The Company incurred interest with the FHLB in the amount of \$1,361 and \$2,740 in 2025 and 2024, respectively.

Non-cash investing activity consisted of receivables from investments sold, not yet settled, of \$2,549 and \$947, and payables from investments purchased, not yet settled, of \$3,206 and \$1,992, at December 31, 2025 and 2024, respectively.

Leases

The Company has a sublease with the ICI for office space at 1401 H Street in Washington, DC with a term that extends through 2036. This lease is classified and accounted for as an operating lease under ASC 842.

As per ASC 842, the right-of-use asset and lease liability in the Company's Consolidated Balance Sheets are calculated as the present value of the future minimum lease payments. Because the implicit rate is not readily determinable for its leases, the Company elected to use the risk-free rate as a discount rate for all asset classes. The risk-free rates used in this calculation were 1.84%. The remaining cost of the lease is amortized as lease expense in the Consolidated Statements of Income and Comprehensive Income on a straight line basis over the remaining term of the lease. Annual cash payments made to the ICI for the leased office space are disclosed in Note 7.

Furniture and Fixtures

Furniture and fixtures are stated at cost net of accumulated depreciation. The costs of significant additions and improvements, including leasehold improvements, are capitalized while expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Provisions for depreciation are computed using the straight-line method based on useful lives ranging from three to twelve years. Depreciation expense was \$81 and \$95 for 2025 and 2024, respectively. Accumulated depreciation totaled \$160 and \$95 at December 31, 2025 and 2024, respectively.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 1 - Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Company has performed an evaluation of subsequent events through April 23, 2026, which is the date the consolidated financial statements were available to be issued, and has considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

Note 2 - Investments

The amortized cost, gross unrealized gains, gross unrealized losses, and fair value for available-for-sale debt securities by major security type and class of security at December 31, 2025 and 2024 were as follows:

| <u>December 31, 2025</u> | <u>Amortized Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|--|-----------------------|-------------------------------|--------------------------------|-------------------|
| U.S. Government, agencies and authorities securities | \$ 57,202 | \$ 461 | \$ 3,760 | \$ 53,903 |
| Mortgage-backed | 45,204 | 258 | 2,892 | 42,570 |
| All other corporate bonds | <u>214,175</u> | <u>1,795</u> | <u>11,110</u> | <u>204,860</u> |
| Totals | <u>\$ 316,581</u> | <u>\$ 2,514</u> | <u>\$ 17,762</u> | <u>\$ 301,333</u> |
| | | | | |
| <u>December 31, 2024</u> | <u>Amortized Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
| U.S. Government, agencies and authorities securities | \$ 59,324 | \$ 15 | \$ 5,970 | \$ 53,369 |
| Mortgage-backed | 44,422 | 19 | 4,541 | 39,900 |
| All other corporate bonds | <u>210,426</u> | <u>683</u> | <u>17,606</u> | <u>193,503</u> |
| Totals | <u>\$ 314,172</u> | <u>\$ 717</u> | <u>\$ 28,117</u> | <u>\$ 286,772</u> |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 2 - Investments (Continued)

The amortized cost and fair value of debt securities at December 31, 2025, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Amortized Cost | Fair Value |
|--|-------------------|-------------------|
| Due in one year or less | \$ 6,722 | \$ 6,652 |
| Due after one year through five years | 64,856 | 63,964 |
| Due after five years through ten years | 96,907 | 95,720 |
| Due after ten years | <u>148,096</u> | <u>134,997</u> |
| Total | <u>\$ 316,581</u> | <u>\$ 301,333</u> |

At December 31, 2025 and 2024, the gross unrealized gains and (losses) on investments in debt securities of \$2,514 and \$(17,762) and \$717 and \$(28,117) have been reflected in the Consolidated Balance Sheets as a component of accumulated other comprehensive income, net of deferred taxes of \$3,200 and \$5,754, respectively.

The change in gross unrealized gains on equity securities in 2025 and 2024 of \$10,504 and \$11,758, respectively, has been reflected in the Consolidated Statements of Income and Comprehensive Income. There were no sales of equity securities during 2025 and 2024.

There are three key investment risks that can impact the Company's investment portfolio: Liquidity Risk, Credit Risk and Market Risk.

1. **Liquidity Risk:** Market conditions create a situation where liquid assets become illiquid. To offset this risk, the Company maintains significant holdings in U.S. Treasury securities and other relatively liquid securities, an intermediate investment portfolio duration, and membership in the FHLB.
2. **Credit Risk:** An issuer (or counterparty) is unable to pay their claim and defaults. To offset this risk, the Company maintains a well-diversified portfolio containing primarily investment grade fixed income securities. The portfolio is also closely monitored for downgrades on corporate bonds and changes to projected cash flows on structured securities.
3. **Market Risk:** Falling market value due to changing risks in a sector or interest rate risks. The Company monitors actual concentrations against both its investment guidelines and market conditions. Intermediate duration profile on the bond portfolio limits the fair value impact from interest rate changes.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 2 - Investments (Continued)

The following table displays characteristics of the available-for-sale securities with an unrealized loss included in accumulated other comprehensive loss as of December 31, 2025 and 2024:

| | Fair Value | Gross Unrealized Losses <12 months | Gross Unrealized Losses >12 months | Total Gross Unrealized Losses | Numbers of Investment Positions |
|--|-------------------|------------------------------------|------------------------------------|-------------------------------|---------------------------------|
| <u>December 31, 2025</u> | | | | | |
| U.S. Government, agencies and authorities securities | \$ 27,979 | \$ 39 | \$ 3,721 | \$ 3,760 | 52 |
| Mortgage-backed | 27,003 | 1 | 2,891 | 2,892 | 67 |
| All other corporate bonds | <u>108,080</u> | <u>476</u> | <u>10,634</u> | <u>11,110</u> | <u>278</u> |
| Total debt securities | <u>\$ 163,062</u> | <u>\$ 516</u> | <u>\$ 17,246</u> | <u>\$ 17,762</u> | <u>397</u> |
| | | | | | |
| | Fair Value | Gross Unrealized Losses <12 months | Gross Unrealized Losses >12 months | Total Gross Unrealized Losses | Numbers of Investment Positions |
| <u>December 31, 2024</u> | | | | | |
| U.S. Government, agencies and authorities securities | \$ 52,024 | \$ 715 | \$ 5,254 | \$ 5,969 | 82 |
| Mortgage-backed | 35,157 | 45 | 4,497 | 4,542 | 79 |
| All other corporate bonds | <u>140,363</u> | <u>1,389</u> | <u>16,217</u> | <u>17,606</u> | <u>456</u> |
| Total debt securities | <u>\$ 227,544</u> | <u>\$ 2,149</u> | <u>\$ 25,968</u> | <u>\$ 28,117</u> | <u>617</u> |

The Company does not have the intent to sell, nor is it more likely than not that the Company will be required to sell, securities in unrealized loss positions before recovery.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 2 - Investments (Continued)

Credit Loss Impairment Evaluations

The Company reviews its investment securities regularly and determines whether credit loss impairments have occurred. For fixed maturities, the Company employs specific quantitative tests for those securities where the fair value is less than amortized cost to determine which securities require additional impairment review. If the Company does not intend to sell the security and it is not more likely than not that it will be required to sell the security prior to recovery of the security's amortized cost, the impairment is bifurcated into (a) the amount of the total impairment related to a credit loss, and (b) the amount of the total impairment related to interest and all other factors. The amount of the impairment related to the credit loss is recognized through an allowance for credit losses. The amount of the impairment related to all other factors is recognized in other comprehensive income in the Consolidated Statements of Income and Comprehensive Income. The factors considered by management in its regular review include, but are not limited to: the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions (including, in the case of fixed maturities, the effect of changes in market interest rates); and the Company's intent to sell, or requirement to sell, the debt security before the anticipated recovery of its remaining amortized cost basis.

In assessing corporate debt securities for credit loss impairment, the Company evaluates the ability of the issuer to meet its debt obligations and the value of the company or specific collateral securing the debt position. When evaluating whether an asset-backed (including mortgage-backed) security is impaired, the Company examines characteristics of the underlying collateral, such as delinquency and default rates, the quality of the underlying borrower, the type of collateral in the pool, the vintage year of the collateral, subordination levels within the structure of the collateral pool, the Company's intent to sell the security and whether it more likely than not will be required to sell the security before the recovery of its amortized cost basis. For all debt securities evaluated for credit loss impairment (for which the Company does not have the intent to sell and it is not more likely than not that it will be required to sell the security before the recovery of its amortized cost basis), the Company considers the timing and amount of the cash flows.

The Company evaluates its mortgage-backed securities for credit loss impairment using multiple inputs. Loan level defaults are estimated using appropriate modeling techniques. All bonds are modeled individually and each bond is assigned a custom default assumption based on projections for the mortgage pool, historical underlying collateral performance, and borrower characteristics.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 2 - Investments (Continued)

Basic inputs to the model include data on:

- voluntary prepayments,
- defaults and,
- expected severity of losses in a liquidation scenario, taking into account loan size, geographic concentration, and loan to value percentages.

Additional variables are applied to each mortgage pool specific to structural elements such as triggers and financial guarantees to the extent that they exist. The cash flows generated by the collateral securing these securities are then determined with these default, loss severity and prepayment assumptions. These collateral cash flows are then utilized, along with consideration for the issuer's position in the overall structure, to determine the cash flows associated with the mortgage-backed securities held by the Company.

To the extent that the present value of the cash flows generated by a debt security is less than the amortized cost, a credit loss exists, and a credit loss impairment is recognized through earnings. It is reasonably possible that further declines in estimated fair values of such investments, or changes in assumptions or estimates of anticipated recoveries and/or cash flows, may cause further adjustments to the credit loss allowance in the near term, which could be significant.

In addition, the Company evaluates other asset-backed securities for impairment by examining similar characteristics referenced above for mortgage-backed securities. The Company evaluates U.S. Treasury securities and obligations of U.S. Government corporations, U.S. Government agencies, and obligations of states and political subdivisions for credit loss impairment by examining similar characteristics referenced above for corporate debt securities.

There were \$90 and \$0 in credit loss impairments on debt securities included in the Consolidated Statements of Income and Comprehensive Income in 2025 and 2024, respectively.

Further deterioration in credit quality of the companies backing the securities, deterioration in the condition of the financial services industry, imbalance in liquidity in the marketplace, a worsening of the current economic environment, or additional declines in real estate values could affect the fair value of these securities and increase the potential that certain unrealized losses be designated as credit losses in future periods.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 2 - Investments (Continued)

Proceeds from sales of debt securities and the associated gross realized gains and gross realized losses are as follows:

| | Proceeds <u>From Sales</u> | Gross <u>Realized Gains</u> | Gross <u>Realized Losses</u> |
|--------------------------------------|-------------------------------|--------------------------------|---------------------------------|
| For the year ended December 31, 2025 | \$ 91,151 | \$ 638 | \$ 4,312 |
| For the year ended December 31, 2024 | \$ 123,937 | \$ 1,590 | \$ 3,544 |

Net investment income is calculated as follows:

| | <u>2025</u> | | |
|---|--|--|--------------------------------------|
| | <u>Gross Investment Income</u> | <u>Gross Investment Expenses</u> | <u>Net Investment Income</u> |
| Debt securities available for sale | | | |
| U.S. Government, agencies and authorities securities | \$ 2,194 | \$ (110) | \$ 2,084 |
| Mortgage-backed | 1,602 | (80) | 1,522 |
| All other corporate bonds | 11,523 | (576) | 10,947 |
| Equity securities | <u>1,191</u> | <u>(60)</u> | <u>1,131</u> |
| Total | <u>\$ 16,510</u> | <u>\$ (826)</u> | <u>\$ 15,684</u> |
| | | | |
| | <u>2024</u> | | |
| | <u>Gross Investment Income</u> | <u>Gross Investment Expenses</u> | <u>Net Investment Income</u> |
| Debt securities available for sale | | | |
| U.S. Government, agencies and authorities securities | \$ 1,662 | \$ (71) | \$ 1,591 |
| Mortgage-backed | 1,490 | (63) | 1,427 |
| All other corporate bonds | 10,550 | (447) | 10,103 |
| Equity securities | <u>1,379</u> | <u>(59)</u> | <u>1,320</u> |
| Total | <u>\$ 15,081</u> | <u>\$ (640)</u> | <u>\$ 14,441</u> |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 3 - Fair Value

The valuation techniques required by the authoritative accounting guidance on fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market expectations. These two types of inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Instruments where significant value drivers are unobservable.

When available, the Company utilizes quoted market prices to determine fair value and classify such items in Level 1. In some cases, quoted market prices are used for similar instruments in active markets and/or model-derived valuations where inputs are observable in active markets and classify such items in Level 2. When there are limited or inactive trading markets, the Company utilizes industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. These items are classified in Level 3. Further, the Company relies upon independent pricing vendors to assist in valuing certain instruments.

The following section describes the valuation methodologies used by management to measure different financial instruments at fair value.

Investments in Fixed Maturities and Equity Securities

Pricing Level 1: Values are unadjusted quoted prices for identical securities in active markets accessible at the measurement date. Holdings consist of government debt securities, exchange traded mutual funds, and money market funds.

Pricing Level 2: Valuation is based on quoted prices for similar securities in active markets, quoted prices from those willing to trade in markets that are not active, or other observable inputs. This would include any bonds priced by IDC and FHLB stock.

Pricing Level 3: Valuation is derived from unobservable inputs using techniques such as broker quotes, pricing matrices and internal calculations. The Company did not hold any Level 3 securities for the years ended December 31, 2025 and 2024.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 3 - Fair Value (Continued)

Priority of market value methodology:

1. Price from an independent pricing service, such as IDC.
2. Market price from a broker-dealer
3. Matrix pricing

All of the prices are monitored month-over-month to highlight any significant price change. Any security with a significant price change is verified using a secondary pricing source and/or verification from a broker-dealer.

The following is a summary of the inputs used in valuing the Company's assets at fair value, as of December 31, 2025:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------------|------------------|-------------------|----------------|-------------------|
| Investment in debt securities | \$ 17,157 | \$ 284,176 | \$ - | \$ 301,333 |
| Investment in equity securities | 67,995 | 1,471 | - | 69,466 |
| Investment in money market funds | <u>3,263</u> | <u>-</u> | <u>-</u> | <u>3,263</u> |
| Total | <u>\$ 88,415</u> | <u>\$ 285,647</u> | <u>\$ -</u> | <u>\$ 374,062</u> |

The following is a summary of the inputs used in valuing the Company's assets at fair value, as of December 31, 2024:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------------|------------------|-------------------|----------------|-------------------|
| Investment in debt securities | \$ 25,299 | \$ 261,473 | \$ - | \$ 286,772 |
| Investment in equity securities | 56,391 | 1,471 | - | 57,862 |
| Investment in money market funds | <u>3,042</u> | <u>-</u> | <u>-</u> | <u>3,042</u> |
| Total | <u>\$ 84,732</u> | <u>\$ 262,944</u> | <u>\$ -</u> | <u>\$ 347,676</u> |

It is the Company's policy to recognize transfers of assets between levels of fair value hierarchy at the end of a reporting period. For the years ending December 31, 2025 and 2024, there were no transfers of assets between Level 1 and Level 2 of the fair value hierarchy. No securities were transferred out of Level 2 and into the Level 3 category as a result of limited or inactive markets during 2025 and 2024. The Company does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 4 - Deferred Commission Income

Deferred commission income, net of policy acquisition costs, at December 31, 2025 and 2024 is comprised of the following:

| | 2025 | 2024 |
|-------------------------------|----------|----------|
| Beginning balance | \$ 1,621 | \$ 1,319 |
| Acquisition costs capitalized | | |
| Underwriting expenses | (1,610) | (1,395) |
| Royalty fees | (781) | (799) |
| Premium taxes | (1,848) | (1,867) |
| Amortization | 3,125 | 3,136 |
| | (1,114) | (925) |
| Ceding commissions | 6,443 | 6,780 |
| Amortization | (5,608) | (5,553) |
| | 835 | 1,227 |
| Ending balance | \$ 1,342 | \$ 1,621 |

Note 5 - Contributed Surplus

The Company has two classes of Members: Participating and Non-Participating. Participating Members are required to make a capital contribution (“reserve premium”) equal to 100% of initial annual premium on Participating policies.

The reserve premium with respect to a Participating policy is required to be repaid to the Participating Member within 60 days if the Company terminates or fails to renew the policy; in all other cases, the reserve premium generally is not required to be repaid for five years after the insured cancels, terminates, or fails to renew the policy. At December 31, 2025 and 2024, \$1,025 and \$1,045, respectively, related to reserve premium for all such terminated policies that was included in contributed surplus. The Company recorded distributions of \$634 and \$270 in reserve premium to non-renewing Participating Members during the years ended December 31, 2025 and 2024, respectively.

Non-Participating Members are not required to contribute capital. Participating Members receive dividends, share in the Company’s net worth, and receive a higher proportion of votes on corporate governance matters than Non-Participating Members. Of the premiums written, 26.5% and 31.9% were attributable to Non-Participating policies during the years ended December 31, 2025 and 2024, respectively.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 6 - Provision for Income Taxes

The provision for income taxes consists of the following:

| | <u>2025</u> | <u>2024</u> |
|----------------------------|-----------------|-----------------|
| Current tax expense | \$ 1,520 | \$ 3,385 |
| Deferred tax expense | <u>2,281</u> | <u>404</u> |
| Provision for income taxes | <u>\$ 3,801</u> | <u>\$ 3,789</u> |

Set forth below is a reconciliation of the expected and actual income tax provision:

| | <u>2025</u> | <u>2024</u> |
|--|-----------------|-----------------|
| Expected tax provision at 21% | \$ 3,712 | \$ 3,830 |
| State income taxes, net of federal benefit | 46 | (3) |
| Dividend received deduction | (46) | (62) |
| Foreign tax credits | (49) | (49) |
| Provision to return adjustments | (22) | 52 |
| Other | <u>160</u> | <u>21</u> |
| Actual provision for income taxes | <u>\$ 3,801</u> | <u>\$ 3,789</u> |

The Company files a consolidated federal income tax return. Income tax provisions are allocated to the Company's wholly-owned subsidiaries as if they had been calculated on a separate company basis. State income taxes are paid by Mutual, Brokers and Services on a separate company basis. Net payments for federal income taxes were \$300 and \$5,481 in 2025 and 2024, respectively.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 6 - Provision for Income Taxes (Continued)

The deferred income tax amounts reflected in the Consolidated Balance Sheets at December 31, 2025 and 2024 are comprised of the following items:

| | 2025 | 2024 |
|--|------------|----------|
| Net unearned premiums | \$ 437 | \$ 443 |
| Discounting of loss reserves | 759 | 666 |
| Post-retirement employee benefits | 1,685 | 1,968 |
| Policyholder dividend | 1,288 | 1,260 |
| Operating lease liability | 1,104 | 1,180 |
| Net unrealized losses on debt securities | 3,202 | 5,754 |
| Deferred commission income, net of acquisition costs | 283 | 348 |
| Legal expense accrual | 672 | 721 |
| Other | 479 | 425 |
| Gross deferred tax assets | 9,909 | 12,765 |
| Net unrealized gains on equity securities | 9,798 | 7,539 |
| Lease right-of-use asset - operating | 818 | 884 |
| Lease amortization | 139 | 136 |
| Bond discount accretion | 581 | 489 |
| Gross deferred tax liabilities | 11,336 | 9,048 |
| Valuation allowance | - | - |
| Net deferred tax (liability) asset | \$ (1,427) | \$ 3,717 |

The Company believes that as of December 31, 2025, there were no material uncertain tax positions that would require disclosure under GAAP. As of December 31, 2025, the Company's tax years from 2022 forward were open under current Internal Revenue Service regulations and applicable state tax law and as such, potentially subject to examination.

Note 7 - Related Party Transactions

The Company is party to a royalty agreement and a services and facilities agreement with the lessor, ICI. Under the royalty agreement, Mutual is required to pay 1% of gross written premium as a royalty fee to the ICI, limited to a total maximum of \$1,000 in any calendar year. Royalty fees incurred and paid in 2025 and 2024 were \$828 and \$766, respectively. Royalties payable at December 31, 2025 and 2024 under this agreement were approximately \$175 and \$121, respectively.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 7 - Related Party Transactions (Continued)

The services and facilities agreement requires the Company to reimburse the ICI for actual direct and indirect expenses incurred on behalf of the Company. Service and facility fees amounted to approximately \$531 and \$517 for 2025 and 2024, respectively. Amounts payable at December 31, 2025 and 2024 under this agreement were approximately \$91 and \$90, respectively.

The Company subleases office space from the ICI at 1401 H Street in Washington DC under the terms of operating leases as described in Note 1. Cash payments for these leases in 2025 and 2024 were \$465 and \$454, respectively. The following is a maturity analysis of the annual cash payments for these leases and a reconciliation to the total lease liability accrued in the Company's Consolidated Balance Sheets:

| | Lease Payments |
|--|----------------|
| 2026 | \$ 477 |
| 2027 | 488 |
| 2028 | 501 |
| 2029 | 513 |
| 2030 | 526 |
| Thereafter | 3,444 |
| Total undiscounted future lease payments | 5,949 |
| Less: present value adjustment | (583) |
| Lease liability | \$ 5,366 |

Note 8 - Reinsurance Agreements

The Company utilizes reinsurance agreements to provide protection for claims in excess of the Company's normal retention limits. In addition, the Company may utilize reinsurance agreements to provide increased limits of liability on a case-by-case basis.

Reinsurance Balances

The Company reports ceded reinsurance balances on a gross basis. Accordingly, the following balance sheet accounts are grossed up by the amounts noted below:

| | 2025 | 2024 |
|---|------------|------------|
| Reserve for losses and loss adjustment expenses | \$ 132,658 | \$ 236,101 |
| Unearned premiums | \$ 35,801 | \$ 35,957 |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 8 - Reinsurance Agreements (Continued)

Reinsurance Recoverables

Reinsurance recoverables were mostly concentrated with St. Paul Fire and Marine Ins. Co. (approximately 30%) and Lloyd's (approximately 11%) at December 31, 2025, and St. Paul Fire and Marine Ins. Co. (approximately 14%) and Lloyd's (approximately 10%) at December 31, 2024. Insurance risks ceded to reinsurance companies would become a liability in the event the reinsurers are unable to meet their obligations assumed under reinsurance contracts.

The establishment of a valuation reserve against reinsurance recoverables (1) would be required in the event that management determines, under the CECL model described in Note 1, that one or more reinsurers are financially unable to meet their contractual obligations on a claim or claims paid or reserved by the Company, and (2) could be required in the event that one or more reinsurers contest the validity of (or are otherwise unwilling to pay reinsurance amounts due on) a claim or claims paid or reserved by the Company.

Approximately \$30,300 of the amounts recoverable included on the Consolidated Balance Sheets at December 31, 2025 and 2024, respectively, reflect reinsurance amounts due from certain higher-level facultative reinsurers who are disputing coverage on a single claim paid by the Company in December 2021. The Company has commenced formal dispute resolution proceedings (i.e., arbitrations, as called for under the relevant reinsurance contracts) against these reinsurers. The Company accrued \$2,750 in legal expenses as of December 31, 2024, which accrual represented the then estimated future costs of the formal dispute resolutions. Since the formal dispute resolution proceedings remain active and ongoing, the Company has accrued an additional \$3,200 in legal expenses as of December 31, 2025, which additional accrual represents the current estimated future costs of the formal dispute resolutions. These accruals are included in Accounts payable and other liabilities on the Consolidated Balance Sheets and in Net underwriting, general and administrative expenses on the Consolidated Statements of Income and Comprehensive Income for 2025 and 2024, respectively. Management, in consultation with counsel, continues to believe that the reinsurance amounts are due under the relevant reinsurance contracts. As at December 31, 2025 and 2024, no valuation reserve against the reinsurance recoverables was recorded.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 8 - Reinsurance Agreements (Continued)

Premiums and loss and loss adjustment expenses in 2025 and 2024 have been adjusted as follows as a result of reinsurance:

| | 2025 | | 2024 | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | Written | Earned | Written | Earned |
| Premiums: | | | | |
| Direct | \$ 78,134 | \$ 78,647 | \$ 79,925 | \$ 79,888 |
| Ceded | (60,990) | (61,146) | (61,880) | (60,963) |
| Net | <u>\$ 17,144</u> | <u>\$ 17,501</u> | <u>\$ 18,045</u> | <u>\$ 18,925</u> |
| Loss and loss adjustment expenses: | | | | |
| Direct | | | \$ 48,797 | \$ 115,602 |
| Ceded | | | (42,395) | (106,407) |
| Net | | | <u>\$ 6,402</u> | <u>\$ 9,195</u> |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 9 - Reserve for Losses and Loss Adjustment Expenses

The following table sets forth a reconciliation of beginning and ending reserve for losses and loss adjustment expenses in the Company's consolidated financial statements for the years indicated:

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Balance at January 1: | 278,159 | 246,613 |
| Less reinsurance recoverable on unpaid losses | <u>(236,101)</u> | <u>(202,314)</u> |
| Net balance at January 1 | 42,058 | 44,299 |
| Incurred related to: | | |
| Current year | 16,482 | 17,815 |
| Prior years | <u>(10,080)</u> | <u>(8,620)</u> |
| Total incurred | 6,402 | 9,195 |
| Paid related to: | | |
| Current year | 141 | 81 |
| Prior years | <u>6,690</u> | <u>11,355</u> |
| Total paid | <u>6,831</u> | <u>11,436</u> |
| Net balance at December 31: | 41,629 | 42,058 |
| Plus reinsurance recoverable on unpaid losses | <u>132,658</u> | <u>236,101</u> |
| Balance at December 31 | <u>\$ 174,287</u> | <u>\$ 278,159</u> |

As a result of changes in estimates of incurred losses related to insured events of prior years, the reserve for losses and loss adjustment expenses decreased \$10,080 and \$8,620 in 2025 and 2024, respectively. The decrease in 2025 was primarily the result of changes in estimates of incurred losses on D&O/E&O policies of \$1,850, \$3,750, \$4,400, \$2,800, and \$(2,950) for the consecutive years 2024 - 2020, respectively. The decrease in 2024 was primarily the result of changes in estimates of incurred losses on D&O/E&O policies of \$1,500, \$4,800, and \$1,050 related to insured events of 2023, 2021, and 2020, respectively. No additional premiums or return premiums have been accrued as a result of the effects of insured events of prior years.

The following is information about incurred and paid claims development as of December 31, 2025, net of reinsurance, as well as cumulative claim frequency, and the total of incurred-but-not-reported plus expected development on reported claims included within the reserve for net losses and loss adjustment expenses. The information about incurred and paid claims development, is presented as unaudited supplementary information. The cumulative number of reported claims are reported as the actual individual count, not in thousands.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 9 - Reserve for Losses and Loss Adjustment Expenses (Continued)

This information is provided on a report year basis, consistent with the nature of the policies underwritten by the Company. Specifically, the Company writes claims-made policies that cover claims reported over the policy term rather than the date of the incident giving rise to the claim. Accordingly, the cumulative number of reported claims reflect all claims received by the Company and recorded on the Company's claims bordereau by date reported.

The following development data by report year is not disaggregated by line of business or any other measure as over 90% of the Company's incurred and paid losses over the development period is derived solely from domestic D&O/E&O coverage that shares the same characteristics.

Average annual percentage payout of incurred claims by age, net of reinsurance, as of December 31, 2025, is also presented as unaudited supplementary information below.

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 9 - Reserve for Losses and Loss Adjustment Expenses (Continued)

| Report Year | For the Years Ended December 31: | | | | | | | | | | December 31, 2025 | |
|-------------|---|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|--|--|
| | Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance and Subrogation (Unaudited) | | | | | | | | | | Net IBNR Plus Expected Development on Reported Claims | Cumulative Number of Reported Claims |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | | |
| 2016 | \$ 23,300 | \$ 18,350 | \$ 13,836 | \$ 10,836 | \$ 10,336 | \$ 7,623 | \$ 7,623 | \$ 7,623 | \$ 7,623 | \$ 7,623 | \$ - | 42 |
| 2017 | | 22,970 | 19,700 | 15,849 | 12,149 | 9,946 | 8,196 | 7,845 | 7,846 | 7,846 | - | 32 |
| 2018 | | | 19,675 | 15,350 | 11,875 | 9,050 | 6,295 | 6,040 | 5,929 | 5,901 | - | 24 |
| 2019 | | | | 19,850 | 15,508 | 12,633 | 10,058 | 7,641 | 7,644 | 7,644 | - | 28 |
| 2020 | | | | | 23,100 | 22,200 | 23,450 | 20,075 | 18,975 | 21,925 | 161 | 44 |
| 2021 | | | | | | 19,367 | 15,020 | 12,820 | 8,020 | 5,220 | 1,253 | 33 |
| 2022 | | | | | | | 22,600 | 17,825 | 17,720 | 13,320 | 2,126 | 32 |
| 2023 | | | | | | | | 22,750 | 20,539 | 16,789 | 4,953 | 46 |
| 2024 | | | | | | | | | 17,800 | 15,775 | 9,342 | 37 |
| 2025 | | | | | | | | | | 16,460 | 14,465 | 35 |
| Total | | | | | | | | | | 118,503 | \$ 32,300 | |

| Report Year | Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance and Subrogation (Unaudited) | | | | | | | | | |
|-------------|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| 2016 | \$ 198 | \$ 4,191 | \$ 5,999 | \$ 6,011 | \$ 5,980 | \$ 7,623 | \$ 7,623 | \$ 7,623 | \$ 7,623 | \$ 7,623 |
| 2017 | | 2,328 | 3,847 | 7,918 | 7,839 | 7,839 | 7,849 | 7,845 | 7,846 | 7,846 |
| 2018 | | | 396 | 5,549 | 5,595 | 5,609 | 5,609 | 5,646 | 5,603 | 5,901 |
| 2019 | | | | 2,811 | 5,933 | 5,956 | 5,971 | 7,641 | 7,644 | 7,644 |
| 2020 | | | | | 3,740 | 7,357 | 12,816 | 18,426 | 18,428 | 21,480 |
| 2021 | | | | | | 353 | 419 | 469 | 3,424 | 3,430 |
| 2022 | | | | | | | 1,317 | 7,785 | 8,136 | 8,125 |
| 2023 | | | | | | | | 3,182 | 11,312 | 11,583 |
| 2024 | | | | | | | | | 81 | 3,176 |
| 2025 | | | | | | | | | | 141 |
| Total | | | | | | | | | | 76,949 |

| | |
|---|-----------|
| All outstanding liabilities before 2016, net of reinsurance | 75 |
| Liabilities for loss and loss adjustment expense reserves, net of reinsurance | \$ 41,629 |

| Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance (Unaudited) | | | | | | | | | | |
|--|-------|--------|--------|--------|-------|-------|-------|-------|-------|-------|
| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Incremental payout % | 3.6 % | 36.5 % | 25.9 % | 19.3 % | 5.4 % | 4.8 % | 1.9 % | 1.4 % | 1.0 % | 0.1 % |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 9 - Reserve for Losses and Loss Adjustment Expenses (Continued)

The reconciliation of the disclosure of incurred and paid claims development to the liability for losses and loss adjustment expenses as of December 31, 2025 is as follows:

| | |
|---|-------------------|
| Liabilities for loss and loss adjustment expenses, net of reinsurance | \$ 41,629 |
| Reinsurance recoverable | <u>132,658</u> |
| Total gross liabilities for loss and loss adjustment expenses | <u>\$ 174,287</u> |

Note 10 - Contingencies

In the normal course of its business activities, the Company may be subject to various asserted and unasserted claims and lawsuits covering a wide range of matters. The Company establishes accrual for litigation when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. For litigation matters where a loss may be remote, reasonably possible, or is probable but not reasonably estimable, no accrual is established. The Company's policy is to accrue for associated legal expenses estimated to be incurred for litigation and/or formal dispute resolution. The Company has accrued for legal expenses associated with the reinsurance recoverable matter disclosed in Note 8. The Company is not aware of any events that would give rise to a claim at December 31, 2025 and 2024.

Note 11 - Policyholders' Dividend

In determining the level of dividend to declare, the Board of Directors (Board) reviews the financial results of the Company as well as the anticipated capital levels needed to fund the Company's future operations and to maintain the Company's sound financial condition. After a review of all these factors, the Board declared total dividends of \$6,000 in both 2025 and 2024. \$5,676 of the total dividends declared in 2024 were paid in 2025.

The 2025 dividend will be allocated to Participating Members based equally on each Participating Member's share of the Company's net worth determined at December 31, 2025, before payment of the dividend, and the proportion of 2025 eligible gross earned premium of the Company attributable to each Participating Member. In accordance with the by-laws of the Company, dividends are only paid to those eligible Participating Members that renew a participating policy in the year after the dividend declaration. Dividends are accounted for on the accrual basis and will be paid on or around the policy renewal date or May 15, 2026, whichever is later.

As per Title 8, Chapter 141, Section 6005 of the Vermont Statutes, the Company sought and received the approval of the Commissioner of the VDFR on December 9, 2025 and December 17, 2024, prior to the payment of these dividends.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 12 - Employee Benefit Plans

Retirement Plans

The Company has two retirement plans for its employees: a noncontributory defined benefit plan and a 401(k) defined contribution plan. The Company also had a supplemental employee retirement plan that was terminated in 2024.

The noncontributory defined benefit plan (the Plan) covers substantially all regular full-time employees. The Company uses a December 31st measurement date for the Plan. Plan assets consist of equity and fixed income mutual funds.

The Plan uses the Projected Unit Credit Method as the actuarial cost method and the following weighted-average assumptions to determine the benefit obligation and net periodic pension cost for the years ended December 31, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--------------------------------------|-------------|-------------|
| Discount rate for benefit obligation | 5.70 % | 5.65 % |
| Discount rate for pension cost | 5.65 % | 5.00 % |
| Expected return on plan assets | 6.40 % | 6.25 % |
| Rate of compensation increase | 4.00 % | 4.00 % |

Plan amounts recognized in the Consolidated Balance Sheets consist of:

| | <u>2025</u> | <u>2024</u> |
|------------------------|---------------|--------------|
| Noncurrent assets | \$ 502 | \$ 51 |
| Current liabilities | - | - |
| Noncurrent liabilities | - | - |
| Total | <u>\$ 502</u> | <u>\$ 51</u> |

Plan amounts recognized in accumulated other comprehensive income, net of tax of \$633 and \$547, for the years ended December 31, 2025 and 2024, respectively, consist of:

| | <u>2025</u> | <u>2024</u> |
|--------------------|-----------------|-----------------|
| Net gain | \$ 2,379 | \$ 2,057 |
| Prior service cost | - | - |
| Total | <u>\$ 2,379</u> | <u>\$ 2,057</u> |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 12 - Employee Benefit Plans (Continued)

Other components of the Plan for the years ended December 31, 2025 and 2024, were as follows:

| | 2025 | 2024 |
|------------------------------|-----------|-----------|
| Projected benefit obligation | \$ 16,079 | \$ 14,494 |
| Fair value of plan assets | 16,581 | 14,545 |
| Funded status of the plan | \$ 502 | \$ 51 |
| Employer contributions | \$ - | \$ - |
| Lump sum payments | \$ - | \$ 2,130 |
| Benefits paid | \$ 21 | \$ 46 |

The Plan's accumulated benefit obligation is \$13,356 as of December 31, 2025 and was \$11,954 as of December 31, 2024. Net periodic pension cost for the Plan, including service cost of \$203 and \$288 and components other than service cost of \$(246) and \$(449), totaled \$(43) and \$(161) for the years ended December 31, 2025 and 2024, respectively, and is included in "Net underwriting, general and administrative expenses" in the Consolidated Statements of Income and Comprehensive Income.

The Plan net gain that was recognized in other comprehensive income was \$408 and \$1,896 in 2025 and 2024, respectively. The net gain and prior service cost for the Plan that was amortized from accumulated other comprehensive income into net periodic pension cost was \$145 and \$0 in 2025 and 2024, respectively.

The Company determines the long-term expected rate of return on Plan assets by examining historical returns and the Plan's asset allocation. Factors such as inflation and current interest rates are also evaluated. The result is reviewed against benchmarking data to ensure that the return is a reasonable and appropriate assumption.

The Plan's asset allocation at December 31, by asset category, is as follows:

| | 2025 | 2024 |
|-------------------------|-------|-------|
| Asset Category: | | |
| Equities | 60 % | 60 % |
| Fixed income securities | 40 % | 40 % |
| Total | 100 % | 100 % |

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 12 - Employee Benefit Plans (Continued)

The Company's expected long-term rate of return and projected asset allocation are as follows:

| Asset Category: | <u>Expected Rate of Return</u> | <u>Guideline Asset Allocation</u> | <u>Expected Net Rate of Return</u> |
|-------------------------|------------------------------------|---------------------------------------|--|
| Equities | 8.00 % | 60 % | 4.80 % |
| Fixed income securities | 4.00 % | <u>40 %</u> | <u>1.60 %</u> |
| Total | | <u>100 %</u> | <u>6.40 %</u> |

The Plan's assets will be invested in a prudent manner for the exclusive purpose of providing benefits to Plan participants. The Company's objective is to maximize the return on assets, over the long term, by investing a majority of assets in equities. The inclusion of additional asset classes with differing rates of return, volatility, and correlation are utilized to reduce the risk by providing diversification relative to equities. The Company's investment policy states that equities will comprise 60% of assets, and fixed income securities 40% of assets. The actual allocation will be compared to the target allocation and the Plan's assets rebalanced as determined by the Company.

The Company did not make any contributions to the Plan for the years ended December 31, 2025 or 2024. The Company's funding policy is to make annual contributions, if required, at least equal to normal costs determined to meet benefit payments, including lump sum distributions, and comply with funding requirements of ERISA. The Company does not expect to make contributions to the Plan in 2026.

The estimated net gain and prior service cost for the Plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$166 and \$0, respectively.

Benefit payments expected to be paid from the Plan over the next five years and accumulated over the five years thereafter are as follows as of December 31:

| <u>Year</u> | <u>Benefits</u> |
|-------------|-----------------|
| 2026 | \$ 1,500 |
| 2027 | \$ 870 |
| 2028 | \$ 1,480 |
| 2029 | \$ 1,600 |
| 2030 | \$ 1,800 |
| 2031-2035 | \$ 4,460 |

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 12 - Employee Benefit Plans (Continued)

The 401(k) defined contribution plan covers substantially all employees. Effective January 1, 2007, the Company contributes amounts to the plan sufficient to credit each participant's account with an amount equal to 3% of the participant's eligible compensation, subject to IRS limitations, during the plan year. In addition, the Company matches 100% of the first 1% and 50% of the next 1% of employee voluntary contributions of the participant's eligible compensation. Participants are not required to contribute to the plan. Participants may voluntarily contribute up to 50% of eligible compensation paid to the participant during the plan year up to a maximum of \$24. The Company contributed approximately \$187 and \$167 to this plan in 2025 and 2024, respectively.

The Company maintained a supplemental employee retirement plan (SERP) which was established for certain key employees. The SERP provided benefits equal to what would be available under both the qualified non-contributory defined benefit plan and the 401(k) defined contribution plan, if there were no statutory limitations on the amount of compensation that could be covered by the qualified plans. In 2024, this plan was terminated, and all eligible and outstanding amounts were paid with a final lump-sum payment.

The Company contributed the amount equal to the lump sum benefit paid in 2024 of \$3,627. No future payments are anticipated.

The Company paid \$244 in satisfaction of the defined contribution accrued liability with the difference in the accrued liability and the payment amount of \$8 reflected in net periodic benefit cost in 2024.

Postretirement Benefit Plan

The Company provides health benefits to qualifying employees and retirees. The Company recognizes the expected cost of these benefits during the years in which employees render service. No assets are set aside for postretirement health benefits. The Company has not applied for benefits under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the 2003 Act) and any measures of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost in the financial statements or accompanying notes do not reflect the effects of the 2003 Act on the Company's postretirement benefit plan.

As of December 31, 2010, the Company has included a 1% load in the plan's amounts to account for the anticipated impact of the excise tax on high-cost plans as a result of the Patient Protection and Affordable Care Act of 2010 (the 2010 Act). The other provisions of the 2010 Act are not expected to have a material impact on the Company's postretirement benefit plan obligation.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 12 - Employee Benefit Plans (Continued)

Plan amounts recognized in the Consolidated Balance Sheets consist of:

| | <u>2025</u> | <u>2024</u> |
|------------------------|-----------------|-----------------|
| Noncurrent assets | \$ - | \$ - |
| Current liabilities | 95 | 130 |
| Noncurrent liabilities | <u>4,045</u> | <u>4,816</u> |
| Total | <u>\$ 4,140</u> | <u>\$ 4,946</u> |

Plan amounts recognized in accumulated other comprehensive income, net of tax of \$(90) and \$134 for the years ended December 31, 2025 and 2024, respectively, consist of:

| | <u>2025</u> | <u>2024</u> |
|-----------------|-------------|-------------|
| Net (gain) loss | (340) | 507 |

Other components of the plan for the years ended December 31, 2025 and 2024, were as follows:

| | <u>2025</u> | <u>2024</u> |
|---------------------------|-------------------|-------------------|
| Benefit obligation | \$ 4,140 | \$ 4,946 |
| Fair value of plan assets | - | - |
| Funded status of the plan | <u>\$ (4,140)</u> | <u>\$ (4,946)</u> |
| Employer contributions | \$ 158 | \$ 168 |
| Participant contributions | \$ 9 | \$ 8 |
| Benefits paid | \$ 167 | \$ 176 |

The following table shows the plan's obligation by participant as well as assumed discount rates:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Retirees | \$ (1,272) | \$ (1,455) |
| Other active participants | <u>(2,868)</u> | <u>(3,491)</u> |
| Accumulated postretirement benefit obligation | <u>\$ (4,140)</u> | <u>\$ (4,946)</u> |
| Weighted average assumed discount rate to determine: | | |
| The benefit obligation | 5.70 % | 5.65 % |
| The net benefit cost | 5.65 % | 5.05 % |

Net periodic benefit cost for the plan, including service cost of \$130 and \$139, and components other than service cost of \$294 and \$307, totaled \$424 and \$446 for the years ended December 31, 2025 and 2024, respectively, and is included in "Net underwriting, general and administrative expenses" in the Consolidated Statements of Income and Comprehensive Income.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 12 - Employee Benefit Plans (Continued)

The plan net gain that was recognized in other comprehensive income was \$1,054 and \$324 in 2025 and 2024, respectively. The net loss and prior service cost for this plan that was amortized from accumulated other comprehensive income into net periodic benefit cost was \$18 and \$0 in 2025 and \$55 and \$0 in 2024, respectively.

The Company's policy is to contribute the amount required to fund postretirement benefits as they become due to retirees. The amount expected to be required in contributions to the plan during 2026 is \$95.

The estimated net loss and prior service cost for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$2 and \$0, respectively.

Benefit payments expected to be paid from the plan over the next five years and accumulated over the five years thereafter are as follows as of December 31:

| Year | Benefits |
|-----------|----------|
| 2026 | \$ 95 |
| 2027 | \$ 110 |
| 2028 | \$ 160 |
| 2029 | \$ 160 |
| 2030 | \$ 170 |
| 2031-2035 | \$ 1,180 |

For measurement purposes, a 8.5% increase in healthcare costs was assumed for fiscal year 2026, trending down to 4.5% in 2036 and thereafter.

Deferred Compensation Plan

During 2010, the Company adopted a deferred compensation plan for certain key employees. The amount and timing of awards to participants is at the sole discretion of the Company and amounts remain unfunded and unvested until the employee meets all of the criteria established by the Company for payment of the awarded amounts. Included in "Net underwriting, general and administrative expenses" in the accompanying Consolidated Statements of Income and Comprehensive Income are amounts attributable to this plan of approximately \$20 and \$27 for the years ended December 31, 2025 and 2024, respectively. Total payments from this plan totaled \$127 and \$122 for the years ended December 31, 2025 and 2024, respectively. Total deferred compensation plan liabilities were \$384 and \$492 at December 31, 2025 and 2024, respectively.

ICI Mutual Insurance Company, a Risk Retention Group
Notes to Consolidated Financial Statements (Continued)
(in 000s)

Note 13 - Accumulated Other Comprehensive Loss

Changes in the Company's accumulated other comprehensive loss by component, net of tax, are as follows:

| | Unrealized Gains (Losses) on Investments | Actuarial Unrealized Gains (Losses) on Benefit Plans | Total |
|---|--|---|-------------------|
| Balance at December 31, 2023 | \$ (22,764) | \$ (47) | \$ (22,811) |
| Net unrealized (losses) gains arising during the period | (427) | 1,712 | 1,285 |
| Reclassification adjustment for losses (gains) realized in net income | 1,544 | (113) | 1,431 |
| Other comprehensive income | <u>1,117</u> | <u>1,599</u> | <u>2,716</u> |
| Balance at December 31, 2024 | (21,647) | 1,552 | (20,095) |
| Net unrealized gains arising during the period | 6,625 | 1,269 | 7,894 |
| Reclassification adjustment for losses (gains) realized in net income | 2,974 | (100) | 2,874 |
| Other comprehensive income | <u>9,599</u> | <u>1,169</u> | <u>10,768</u> |
| Balance at December 31, 2025 | <u>\$ (12,048)</u> | <u>\$ 2,721</u> | <u>\$ (9,327)</u> |

The Company's other comprehensive income is calculated as follows:

| | Pretax Income (Loss) | Tax Expense (Benefit) | Net of Tax Amount |
|---|-------------------------|--------------------------|----------------------|
| For the Year Ended December 31, 2025: | | | |
| Net unrealized gains on investments | | | |
| Net unrealized gains arising during the period | \$ 8,386 | \$ 1,761 | \$ 6,625 |
| Reclassification adjustment for losses realized in net income | 3,764 | 790 | 2,974 |
| Net actuarial unrealized gains on employee benefit plans | | | |
| Net unrealized gains arising during the period | 1,606 | 337 | 1,269 |
| Reclassification adjustment for gains realized in net income | (127) | (27) | (100) |
| Other comprehensive income | <u>\$ 13,629</u> | <u>\$ 2,861</u> | <u>\$ 10,768</u> |

ICI Mutual Insurance Company, a Risk Retention Group

Notes to Consolidated Financial Statements (Continued)

(in 000s)

Note 13 - Accumulated Other Comprehensive Loss (Continued)

| For the Year Ended December 31, 2024: | <u>Pretax (Loss) Income</u> | <u>Tax (Benefit) Expense</u> | <u>Net of Tax Amount</u> |
|--|---------------------------------|----------------------------------|------------------------------|
| Net unrealized gains on investments | | | |
| Net unrealized losses arising during the period | \$ (540) | \$ (113) | \$ (427) |
| Reclassification adjustment for losses realized in net income | 1,954 | 410 | 1,544 |
| Net actuarial unrealized gains on employee benefit plans | | | |
| Net unrealized gains arising during the period | 2,167 | 455 | 1,712 |
| Reclassification adjustment for gains realized in net income | <u>(143)</u> | <u>(30)</u> | <u>(113)</u> |
| Other comprehensive income | <u>\$ 3,438</u> | <u>\$ 722</u> | <u>\$ 2,716</u> |



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